



**State of California**

# **1997/1998 Marketing Plan**

California Division of Tourism  
(California Tourism)

California Technology, Trade & Commerce Agency  
*Lon S. Hatamiya, Secretary*

**March 1, 1997**

## **FY 1997/98 Marketing Plan**

*Note: This is strictly a conceptual plan. It was developed with guidance provided by the California Tourism Commission Marketing Committee, that is comprised of 50 distinguished travel industry marketing professionals for the purpose of providing the California Tourism Commission and State Legislature with a concept of how California might be promoted should the California Tourism Marketing Act referendum be approved by industry vote. In the event the latter occurs, this plan, following public comment, would be submitted to the newly formed California Travel and Tourism Commission for their review and modification or approval.*

### **Mission**

To effectively promote California as a travel destination, thereby increasing revenues and creating new jobs in the state.

### **Marketing Strategies**

The California Division of Tourism (CalTour) marketing plan does three things, it:

- encourages Californians to travel within California,
- motivates residents of other U.S. states to travel to and within California and
- stimulates travel to and within California by residents of other countries.

In support of these, the CalTour marketing program is divided into five major program areas: research, collateral and fulfillment, national marketing, international marketing and media relations. Various marketing tactics are used within each of these program areas to accomplish the plan's major objectives, such as: market research, economic research, program evaluation research, advertising, publicity, promotions, direct marketing, sales missions, trade shows, press trips and trade familiarization tours, collateral, fulfillment and special events. These tactics apply to several of CalTour's programs.

The California Tourism Policy Act (1984) specifies that the California Tourism Commission (CTC), in cooperation with CalTour and the Trade and Commerce Agency, adopt and annually update this plan. This was reasserted in the California Tourism Marketing Act (1995/96).

CalTour's Marketing Plan, to the extent practical and feasible, is intended to:

- Serve as a guide for effectuating the California Tourism Policy Act with available resources,
- Include an assessment of the activities and accomplishments of CalTour (in annual report),
- Outline the intended program of tourism promotion and visitor service activities for the oncoming year,

- Delineate the ways, means and programs by which tourism shall be promoted, including any cost-effective marketing methods and techniques to be employed,
- Identify resources as are reasonably necessary from all sources both public and private, to accomplish these promotion and marketing activities,
- Identify and articulate cooperative or shared cost programs, or opportunities for these ventures, with private entities,
- Identify licensing opportunities, including licensing agents, and
- Contain other information, data or recommendations that may be germane to the marketing efforts of California pursuant to the intent of the California Tourism Policy Act and the California Tourism Marketing Act.

In effectuating these points, the California Tourism Commission has convened several committees consisting of qualified professionals and experts in various segments of the tourism industry to aid in the preparation of this plan.

### **Overall Objective**

- To promote travel to and within the State of California.

### **Strategies**

- To expand the market for, and develop, California tourism through cooperative partnership funded in part by the State and in part by industry-elected assessments, that will allow generic promotion and communication programs.
- To play a unique role in advancing the opportunity to expand tourism in California.
- To increase the opportunity for tourism to benefit businesses and consumers of the State of California.
- To complement the marketing activities of individual businesses within the travel and tourism industry.
- To benefit businesses of all sizes.
- To conduct tourism marketing that individual businesses and destinations within the state cannot do, as effectively, on their own. *Generally, this involves promoting the concept of California as a single travel concept, although to do this CalTour utilizes specific "travel typologies" (family travel, romantic getaways, recreation and sports, nature, and Multicultural experiences) or the diversity within California's tourism regions to promote travel within the State.*
- When marketing within California, promote travel to California's lesser-known and under-utilized destinations.
- When marketing outside California, promote travel to all California destinations.
- Develop international and domestic markets for California with emphasis on markets which bring new tourists and, thus, new revenue into the State. *The State of*

*California serves a critical role in the industry's ability to tap these lucrative and growing markets, in that it often opens relations and lines of business with these new markets or provides a broader dimension to the industry's own marketing activities. This can give California travel businesses a competitive advantage to travel businesses in other states and destinations.*

- *Serve as a catalyst to bring together the State's competing businesses and destinations to work together for the greater purpose of attracting visitors to California. At times, CalTour's investment on a given program element is minuscule compared to the industry's. On the Ski California element, for example, CalTour provides \$180,000 in funding and the industry contributes \$500,000. Yet, the industry would never have raised the \$500,000 had it not been for the leadership, vision, equity and financial contribution of the State. Similarly, the \$10,000 per rural region provided as seed money for regional marketing, as stimulated additional investment by communities and businesses throughout these regions. Without CalTour's involvement, the regions would quickly split into competing marketing groups, resulting in confusing messages to travelers and lowering visitation to California.*
- *Utilize well-known California tourism icons, such as the Golden Gate Bridge, Disneyland, Half Dome, and The Hollywood Sign<sup>1</sup>, among others, to stimulate recognition and purchase of California vacations. Just because a destination is successful or highly recognized does not eliminate it from being promoted within the State's marketing program. In fact, just the opposite may be needed in order to effectively sell travel to California. Likewise, just because a destination is little-known or unrecognized does not eliminate it from being promoted within the State's marketing program, either. New destinations may be just as useful in stimulating travel to California.*
- *Where possible, useful and or practical, promote travel to all regions, destinations and attractions within California. CalTour is open to criticism whenever it singles out a particular destination or business for attention, but to be effective, this is often required. It is impossible for CalTour to identify every place or business in CalTour marketing activities. California is just too big. However, CalTour attempts to be fair and balanced in its representation of all regions, destinations and attractions within California, but it is not always possible or productive to identify every city, region or attraction within the state. At times, it may be counterproductive to do so. The objective of this program is to effectively market travel to and within California. To best accomplish this, decisions on what to identify or what works best for the given market is left to the professional judgment of CalTour with review and approval by the CTC.*

## **Primary Target Audiences**

- *When marketing within California: Adult travel consumers, 25-plus, with annual household income exceeding \$35,000*
- *When marketing in North America, outside California: Adult travel consumers, 35-plus, with annual household income exceeding \$50,000*

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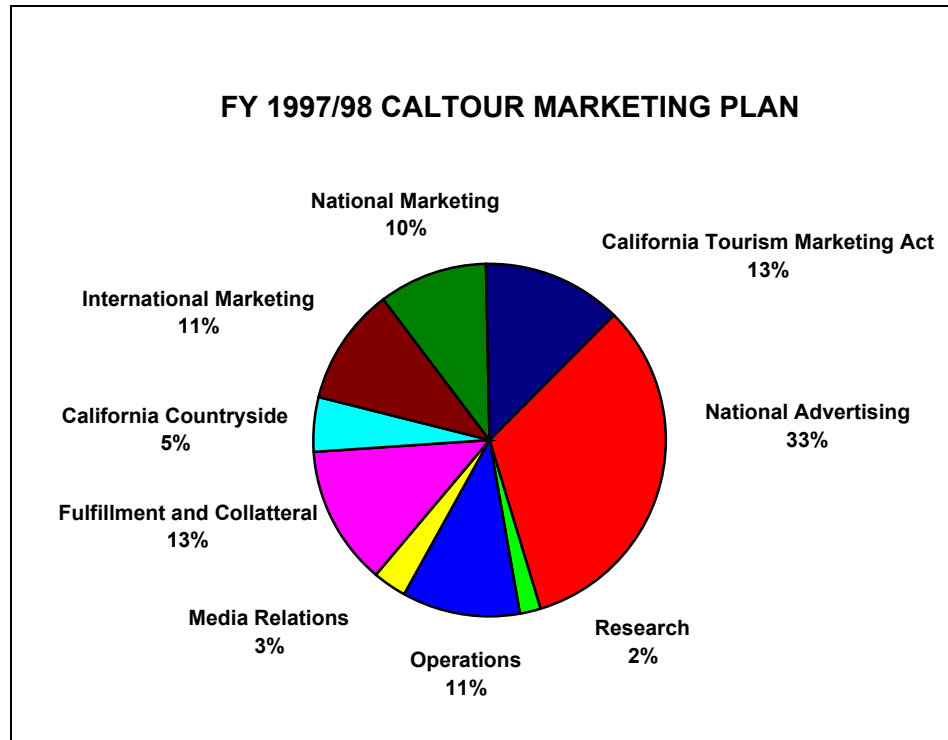
<sup>1</sup> "The Hollywood Sign" is a registered trademark of the Hollywood Chamber of Commerce and is used with permission whenever seen in CalTour communications and marketing.

- When marketing outside North America: Adult travel consumers, 35-plus with annual household income exceeding \$75,000
- Tour operators, tour wholesalers, receptive operators, travel agents
- Consumer and trade travel media

## Goals

- Stimulate positive, top-of-mind awareness of California as a "premiere" travel and vacation destination among primary target audiences in targeted areas of the United States, Canada, Mexico and overseas.
- Encourage, persuade and motivate "target audiences" to select California as their travel and/or vacation destination.
- Serve as a catalyst in developing strong public/private partnerships to promote tourism to the State, via the execution of marketing programs designed to achieve the mutually beneficial objectives of all participants - public and private.
- Seek appropriate opportunities for cooperative marketing efforts with the private sector in order to gain maximum impact from the program.
- Serve as a catalyst in securing California tourism industry involvement in selected domestic and foreign travel trade shows.
- Inform California's travel and tourism industry about opportunities to participate in CalTour's program and of information of value in advancing travel and tourism.
- Inform the media and travel trade of new developments in California travel and tourism for the purpose of stimulating their interest in California as a destination.
- To measure and assess effectiveness and impact of CalTour marketing programs. *The State does not have a "main gate" or "ticket counter" at which to measure sales, so other methods, such as visitor characteristic studies, visitor impact studies, pre/post research focus groups and coupon redemption is used to assess effectiveness.*
- Stimulate travel to lesser-known and under-utilized destinations and work with these destinations in the development of regional and related tourism marketing programs.
- Serve as the marketing umbrella for California under which California destinations and businesses can gain increased attention from consumers, the trade and the media. In accomplishing this, CalTour does not replace the private sector's efforts in marketing individual destinations and businesses within the State, but complements these marketing efforts.
- Generate private-sector support to assist the State in communicating California's unique offerings and attractions.

- Educate and motivate the travel trade via sales missions, familiarization tours (fam tours), educational seminars and sales calls promoting California in targeted markets.



### Budget/plan Outline

Research .....	\$350,000
Collateral/Fulfillment .....	1,941,000
California Countryside .....	720,000
Domestic.....	6,149,000
International .....	1,700,000
Media Relations.....	450,000
Reserve .....	190,000
Operations .....	1,500,000
CTMA Implementation/Collections .....	2,000,000
<b>TOTAL.....</b>	<b>\$15,000,000</b>

*This budget/outline reflects a State allocation of \$7.3 million and an industry contribution of \$7.7 million based upon approval of the California Tourism Marketing Act referendum in summer, 1997.*

NOTE: Because full descriptions of previous year activities are identified in the Annual Report, the following FY 1997/98 Marketing Plan does not detail every activity. It describes only major new additions or departures from the previous plan.

## Research

FY 1997/98 budget growth is largely in the area of program evaluation and communications.

### Budget

Economic Impact Analysis .....	\$60,000
Program Evaluation/Return on Investment .....	90,000
Domestic Market Research .....	75,000
International Market Research .....	75,000
Reports and Communications .....	50,000
<b>TOTAL.....</b>	<b>\$350,000</b>

## Collateral and Fulfillment

The coming year's program/budget have been adjusted upwardly in anticipation of increased distribution of visitor publications, in response to increased advertising and marketing activities. Participants in the Marketing Act will have information about their business identified on CalTour's internet site.

### Budget

Fulfillment/Mail .....	\$1,530,000
Publications - Extended Distribution .....	75,000
Student Packets .....	5,000
Travel Posters .....	5,000
Calendar of Events/Ethnic Festivals .....	\$100,000
Internet .....	\$21,000
Foreign Language Brochures .....	100,000
Adventures & More .....	5,000
Driving Tours .....	100,000
<b>TOTAL.....</b>	<b>\$1,941,000</b>



## **California Countryside**

### **Rural Grants**

New in FY 1997/98, CalTour will substantially increase the size of its California Countryside grants to the eight rural regions for region-wide tourism marketing. Presently, each region receives \$10,000 for general marketing, \$5,000 to participate in CalTour-organized international sales missions and \$5,000 for support to region-wide tourism publications/brochures.

For the coming year, each rural region will receive a basic grant of \$30,000 for general marketing, \$5,000 to participate in CalTour-organized international sales missions and \$5,000 for support to region-wide tourism publications/brochures. And, in order to encourage professional and dedicated marketing of rural regions, \$200,000 in additional "supplementary grants" will be provided, divided equally among rural regions that have a full-time person assigned to coordinate regional marketing and that match the State's contribution to them in supplementary grants.

In order to qualify for this supplementary grant, rural regions will have until December 31, 1997 to establish that they have a full-time regional representative and that they have raised the matching funds. For example, there are eight rural regions. If all eight qualify, they will each receive \$25,000. If only four qualify, they will each receive \$50,000 as long as they each can match the State's \$50,000. Through this process, the State's \$520,000 will generate no less than \$720,000 in promotion of travel into California's rural regions. And, that does not include the extensive promotion of rural communities otherwise throughout the State's marketing plan.

### **Ski California**

The successful Ski California program will be strengthened in the US, the UK, Brazil, Argentina, Japan and The Netherlands and expanded to Chile.

### **Timing**

Year-round

- Rural Grants

Winter

- Ski California

### **Strategies**

- Provide financial incentives that will bring together communities and businesses in rural regions to conduct regional destination marketing for the purpose of stimulating increased visitor spending.
- Assist the California ski industry in attracting midweek business from long-haul markets.

## **Budget**

Rural Grants .....\$520,000

Ski California .....200,000

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**TOTAL.....\$720,000**

## **National Marketing**

### **National Advertising**

1996 yielded positive returns for California tourism in no small measure due to the success of CalTour's national marketing program. Of note, CalTour's consumer advertising campaign contributed greatly to increased travel spending for the second straight year.

Unfortunately, in FY 1996/97, CalTour had to stop advertising in FY 1996/97 in order to finance the implementation of the California Tourism Marketing Act. Additionally, inflationary costs have eroded the buying power of the state's advertising program substantially over the course of the past three years. So, even if CalTour hadn't had to shift approximately \$2 million from advertising to administration of the Marketing Act, the effectiveness of its ad campaign would have been diminished greatly in '97. Nevertheless, numerous steps were taken to assure maximum effectiveness of the domestic marketing program, despite the cuts.

Considering that California will not have advertised for a year, CalTour plans to invest 2.5 times what it spent in FY 1995/96 on national advertising. The next year national advertising campaign will total \$5 million and include a combination of print and television commercials. Because CalTour will have to wait until August to know whether or not the Marketing Act referendum has been approved, CalTour does not anticipate commencing advertising until 1998. However, the program will include an entirely new advertising approach.

The success of CalTour's past advertising resulted from changing the state's approach from promoting a variety of destinations within California, to identifying what types of vacation travelers seek from California, then providing them with customized responses to fit their desired vacation. Four vacation "typologies" were identified: family vacations, romantic getaways, nature outings and recreation-based trips. It is anticipated that this successful approach of fitting "California" to various vacation interests will be continued in the new campaign. This campaign will air and be placed from winter to spring in support of spring and summer travel.

### **Off-season Advertising Grants**

In support of fall and winter travel and in response to travel industry requests that part of the new funds raised by the Marketing Act be set aside for marketing grants, CalTour has placed \$500,000 in a grant pool to be used specifically for off-season advertising. This grant pool will be divided proportionate to advertising investment made by applying DMOs and regional marketing collectives in all 12 tourism regions. To qualify, the advertising must be designed to stimulate travel to the region in fall or winter (with the exception of The Deserts, which must conduct a summer campaign).

## **Fun Spots**

The Fun Spots promotion is anticipated to continue much as it exists today, with further refinement of the Fun Spots card.

## **Travel Agent/Tour Operator Development**

CalTour is reducing the number of domestic trade shows it will attend, because of lessons learned at past shows. The American Airlines Fly Away Show and Southwest show, previously attended, just didn't perform to our expectations. So, they will be replaced, in an effort to effectively communicate with travel agents. CalTour will exhibit at the ASTA World Travel Show and will participate in planning for the 1998 ASTA National Convention in Los Angeles... the first time that ASTA has met in California.

The "California Connection" promotion and its many elements will be continued and improved upon. These are focused upon the National Tour Association for the purpose of developing tour operator interest in and use of California.

## **California Counselor**

Coupled with an increased focus on reaching travel agents through trade shows, CalTour plans to launch a travel agent certification program to be called "California Counselor," for the purpose of developing California specialists, promoting use of California-certified agents, building agents' loyalty to selling California, providing agencies with credentials that differentiate them from other firms and providing travel agents and their companies with a point of pride, accomplishment and value.

## **Cultural Tourism**

Expanded descriptions about the tourism districts and activities within California's African-American, Latin-American, Asian-American and Native-American neighborhoods will be added to California's 1998 Visitor Guide, reaching 500,000 California visitors in advance of their trip.

CalTour has a good selection of landscape photography in its photo library (used by media preparing articles about the state, but insufficient number of quality photographs depicting travelers in relation to California destinations. In particular, the library lacks photos many depicting minority visitors. These gaps in the photo library will be filled by purchase of high quality photos taken by travel photographers.

## **Advertising Target Audiences**

Because the advertising is intended to stimulate vacation travel, a higher standard is applied:

- Adults who took a trip of 100 miles or more away from home during the past 12 months.
- Parents, 35 plus years of age (skewed female) with household incomes in excess of \$50,000 per year.
- New visitors.

- Repeat visitors.

## **Timing**

### Winter/Spring

- National Advertising
- California Conference on Tourism

### Summer/Fall

- Off-season Advertising Grants

### Year-round

- California Fun Spots
- California Counselor
- Multicultural Tourism
- "California" IMAX Film
- Marketing Consultants

### Situational

- Travel Agent/Tour Operator Development
- Marketing Alliances

## **Strategies**

- Heighten positive top-of-mind awareness of California's diversity and increase the desire to visit California as a tourism destination, throughout the U.S.
- Generate in excess of \$5 million in co-operative funds from the private sector to join the State in communicating California's unique offerings and attractions.
- Educate and motivate the travel trade with special promotions, familiarization trips, and sales calls promoting California in targeted markets.
- Generate 500,000 telephone and reader service inquiries from prospective vacationers and, as a result, stimulate potential visitors to travel to California via widespread distribution of the consumer fulfillment guide.
- Support the domestic advertising effort with a strong, positive publicity campaign on California and its 12 regions.
- Create broad-based promotions which complement the goals and objectives of the overall domestic marketing campaign and motivate private sector participation.

- Stimulate economic activity in financially disadvantaged ethnic communities by making tourists aware of the positive places and experiences to be found in them.

### **Advertising Strategies**

- Motivate first-time and repeat domestic visitors to consider California for their vacation;
- Provide a presence for California in major national magazines and on network and spot TV during the critical travel planning season;
- Complement the target marketing program with an advertising program;
- Generate interest and inquiries for vacation planning information from the Division of Tourism;
- Stop the decline of market share experienced in major western out-of-state leisure travel market;
- Boost travel trade inquiries;
- Primarily direct advertising in support of spring/summer visitation; and
- Secondly direct advertising in support of fall/winter visitation through the use of cooperative advertising grants.

### **Budget**

National Advertising .....	\$5,000,000
Off-season Advertising Grants .....	500,000
California Fun Spots .....	180,000
Travel Agent/Tour Operator Development.....	40,000
California Counselor .....	20,000
Multicultural Tourism.....	75,000
"California" IMAX Film.....	150,000
Marketing Consultants .....	170,000
Marketing Alliances (TIA, PATA, NTA, JATA, ACTA, ASTA) .....	10,000
California Conference on Tourism .....	4,000
<b>TOTAL.....</b>	<b>\$6,149,000</b>

## **International Marketing**

Think of California tourism in terms of a pie. A larger piece of pie can be served only by making someone else's share smaller or by baking a larger pie. International tourism is the larger pie. Along with domestic tourism, international tourism allows California to bring new customers into the state and thereby increase sales opportunities for California companies, without having them take business from another California business.

The greatest tourism markets of the future will not be found within the United States, they will be found outside this country. California is ideally positioned to benefit from the spectacular growth in international tourism due to its allure and its geographic location.

Today, tourism is California's third largest export, larger than agriculture, food processing and chemicals combined and trailing only the export of computers and related technology. Tourism is larger than the export of aerospace and transportation equipment, and it is critical to California's future that we maintain that position. California's economy has successfully shifted from the industries of the past century (defense, heavy manufacturing and agriculture) to the industries of the 21st century (tourism, technology, information and entertainment).

Tourism is influenced by the industries of the next century in that they stimulate human interest in personally visiting the places they have intellectually visited. That is, someone who sees California in motion pictures wants to go there. Likewise, people who are connected to California products and ideas through their use of technology, want to visit this place. There is a phenomenal market of travelers beyond our shores who can be motivated to travel and vacation here. All we need do is put the thought in their minds and knowledge in the hands of travel agents and tour operators to help them get here. CalTour's international marketing programs help do that.

### **Target Audiences**

#### **Canada**

- Air travelers from western provinces
- Drive market from British Columbia and Alberta
- Snowbirds
- Purchasers of motor coach and fly-drive packages

#### **Western Europe**

- Middle and upper-income fly-drive travelers
- Users of all-inclusive package tours

#### **Pacific Rim**

- First-time purchasers of standard packages
- Special interest travelers/honeymooners/students

## South America

- Middle and upper-income Brazilian and Argentine travelers
- First-time purchasers of standard packages

## Timing

### Fall

- Canada Sales Mission
- World Travel Market, London
- Pow Wow Europe, Paris
- Japan Association of Travel Agents, Tokyo
- La Cumbre (South America)
- U.S. Travel Fair (Korea)
- California Dream Days (November-February), Canada

### Winter

- California Dream Days (through February), Canada
- Expo Vacaciones, Mexico City
- FITUR, Madrid
- ITB, Berlin (International Tourism Exchange)
- South America Visit USA Shows in Buenos Aires, Sao Paulo, Santiago

### Spring

- TIA Discover America Pow Wow
- Australia/New Zealand Destination Seminars
- European Incentive Business Travel Market, Switzerland

## Strategies

- Maintain high visibility consumer and trade programs in Canada as developed in previous years.
- Maintain public relations and promotional programs in Europe and Japan, whenever possible.

- Continue trade mission schedules, at present, with the flexibility to add or delete based upon future world events.
- Maintain trade relationships and private-sector partnerships.
- Keep the international programs and budget flexible so that the State has the ability to react with optimum effectiveness to major world events which could impact international, domestic and local travel patterns.
- Reach the consumer, whenever possible, through the leveraged special promotions.
- Maintain as best as possible international travel-related expenditures and employment generated by the foreign visitor.
- Increase the State's market share of international visitors to the U.S. from its key foreign markets (Canada, Western Europe and Japan) and secondary markets (Australia/New Zealand, Korea, Mexico and South America).
- Increase the level of knowledge about California's cities and lesser-known destinations mount international wholesalers, tour operators, incentive planners and retail travel agents.

## **Budget**

### Trade Shows

Australia/New Zealand Destination Seminars .....	\$4,000
ITB, Berlin.....	12,000
EIBTM, Zurich .....	15,000
FITUR, Madrid .....	3,000
BIT, Milan .....	2,500
Visit USA Korea Fair.....	2,500
La Cumbre (South America) .....	7,000
Pow Wow Europe .....	2,500
Discover America Pow Wow.....	10,000
Expo Vacaciones .....	5,000
Visit USA Brazil/Argentina.....	10,000

### Sales Missions

Western Canada.....	20,000
Europe .....	40,000



WTM (London).....	95,000
Sales Presentation Program .....	10,000
Foreign Representation/Offices	
Germany/UK .....	200,000
Japan.....	200,000
Taiwan/Hong Kong.....	100,000
Australia/New Zealand .....	150,000
Brazil/Argentina/Chile .....	150,000
Mexico City (TCA/ITI) .....	100,000
Switzerland/Austria/Netherlands.....	70,000
Visit USA Madrid.....	750
Visit USA Benelux.....	750
Promotions	
California Dream Days (Canada) .....	90,000
International Tour Operators (Situational).....	\$100,000
Cooperative In-market Advertising .....	300,000
<b>TOTAL.....</b>	<b>1,700,000</b>

## Media Relations

The California Tourism Commission has proposed that publicity development substantially increase in the FY 1997/98 program. In 1996, approximately \$135,000 was allocated to publicity generation. That will increase over 333 percent to \$450,000.

The number of editorial visits (media outreach) in North America will increase from two annually to seven. Additionally, CalTour will plan eight media blitzes in key international markets to coincide, where possible and appropriate, with attendance at major trade shows. Major network morning shows and national publications will be targeted on an on-going basis for placement of California features.

Domestic and international press trips will be increased substantially in response to the increased presence in the blitzed markets and in support of the expanded reach of the advertising and cooperative marketing activities.

CalTour will place a library of California photography on CD-ROM for use in editorial coverage.

CalTour will develop monthly feature stories and photography for distribution nationally for placement in weekly and community newspapers through matte and syndicate services.

And, CalTour will conduct crisis communications workshops for California communities in order to prepare them for future natural disasters and will maintain a reserve for media response to disasters.

A new quarterly newsletter directed to domestic tour operators and travel agents (California Counselors) will provide them with ideas about new aspects of California. In addition, *Insights* will be sent via e-mail on a CalTour-exclusive intranet, allowing for immediate and ongoing communications with all assessed businesses and marketing partners.

## **Budget**

Media Outreach (National) .....	\$75,000
■ New York, Washington, DC, Portland, Seattle, Vancouver, BC, San Francisco and Los Angeles	
Media Outreach (International) .....	\$100,000
■ Vancouver, BC, London, Frankfurt, Munich, Berlin, Tokyo, Osaka, Vancouver, Montreal and Toronto	
Publicity	
Feature Releases (monthly).....	15,000
What's New In California (quarterly).....	10,000
Press Releases.....	10,000
Press Kit Development.....	10,000
Matte Service .....	20,000
Press Trips .....	\$20,000
Evaluation	
Newsclipping Service & Analysis.....	15,000
Photography	
Purchase of Images & Duplication .....	30,000
CD ROM.....	15,000
Newsletters	
<i>Insights</i> (quarterly) .....	40,000

Intranet.....	\$30,000
Trade Newsletter (quarterly) .....	30,000
Technical Assistance	
Publicity Workshops .....	5,000
Crisis Communications.....	25,000
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<b>TOTAL.....</b>	<b>\$450,000</b>

### **Licensing Opportunities and Agents**

No licensing opportunities or agents are detailed at this time for 1997/98. The decision whether or not to investigate licensing opportunities will be left to the California Travel and Tourism Commission.



**Appendix B - California Tourism Commission 1996 Expenses**

Income	\$0.00
Expenses	\$0.00

## **Appendix C - Projected Outcomes**

The 1997/98 FY marketing plan is projected to generate an estimated \$1.2 billion in incremental travel and tourism spending. Businesses that benefit from travel and tourism (within these industry categories: Accommodations, Restaurants and Retail, Attractions and Recreation, and Transportation and Travel Services) are anticipated to receive, on average, \$4,800 in additional travel-related receipts as a result of this program. An estimated 50,000 businesses are expected to participate in the California Tourism Marketing Act assessment, if an industry-wide referendum is approved. The average benefit per assessed business is expected to range from \$4,800 for small businesses to \$76,800 for large businesses. These are averages. Businesses may earn much less or much more, depending upon benefit from travel and tourism and other factors.

### **Analysis**

The California Tourism Marketing Act provides for private sector assessments to be used in partnership with state allocations to fund generic tourism promotions. General promotion of California as a tourism destination is intended and designed to maintain or increase the overall demand for California tourism and to maintain or increase the size of that market. Under the terms of the Act, the newly established California Travel and Tourism Commission (to replace the existing California Tourism Commission and California Division of Tourism) will develop and implement an annual tourism marketing plan. It is expected that the CTTC will generally accept and conduct the marketing plan, previously outlined, though it may elect to adopt a different plan.

As previously stated, the 1996 CalTour advertising campaign cost \$2.2 million. A cost-benefit analysis by San Francisco State University determined that the campaign generated an estimated \$729 million in incremental spending from non-resident travelers to California. Another \$1 million was spent on production and distribution of travel literature. From a prior study, it was found that a \$1 million investment in such literature fulfillment operations yields \$44 million in net visitor spending from non-resident domestic travel. On the basis of these two studies alone, CalTour has documented that approximately \$773 million in new spending (directly attributable to state tourism marketing activities) has been generated.

This is a considered benefit to the State and its businesses in that it results from visitation generated within from one to two years of the advertising and fulfillment program(s) and that it would not have occurred otherwise.

While the financial benefit of other CalTour program activities are more difficult to quantify, there is evidence that a number of highly leveraged programs, such as cooperative marketing, yield spending benefits many times their budgeted costs. For example, the Fun Spots promotion, costing \$180,000 in state funding, has been documented as generating over \$1.5 million in new travel sales.

In addition to new dollars spent in California by out-of-state residents, promotion of in-state travel by California residents, especially to lesser known destinations, generates incremental revenues to businesses in those areas, even though such impacts are not considered new dollars to the state economy. Among the ways the State promotes lesser-known destinations (such as counties with populations under 200,000), are: ski promotions; publication of an annual Calendar of Events listing festivals, ethnic events, etc.; special sections at trade and consumer shows; and group tour development. In

1995, leisure travelers spent an estimated \$3.6 billion in small counties. It is fair to assume that State marketing activities were responsible for generating at least 5% of this total, or \$180 million.

Similarly, state-funded promotions undoubtedly influence increased travel spending from in-state travel to the larger, more popular destinations. However, no attempt is made here to quantify these impacts, which are therefore likely to be understated.

International tourism, while only 3% of total California visitor volume, nevertheless represents an estimated 24% of total spending. Overseas visitors, for example, spend more than nine times as much per capita as domestic travelers. State programs target foreign travel agents and tour operators on a frequent and consistent basis. It is generally recognized that foreign visitors depend heavily upon receiving travel planning information and assistance from travel agents and are influenced by the availability of tour packages. It is therefore assumed that current programs may have some degree of influence on between 40% to 60% of all international travel to California. For purposes of this analysis, a conservative 5% will be used to represent the amount of international visitor spending, currently at about \$13 billion, directly attributable to state tourism marketing, or \$650 million.

To recap, it is estimated that existing state programs are responsible for generating incremental visitation to and within California, resulting in travel and tourism revenues to California businesses, as follows:

Current State Program Activity	Estimated Benefit to California Businesses	Origin of spending
Advertising	\$729 million	(from non-residents only)
Literature	\$44 million	(from non-residents only)
In-state promotions	\$180 million	(from leisure travel only)
International marketing	\$650 million	
Other	Not known	
<b>TOTAL</b>	<b>\$1.6 billion</b>	

It is anticipated that, should the referendum pass, funds raised through assessment, in partnership with State funds, would support marketing activities at twice the current magnitude. There is not necessarily a one-to-one correspondence between budget and incremental benefits. Nevertheless, doubling the budget of key programs is expected to produce at least a 50% increase in visitor spending, and could 100% increases, or better.

Thus, based on the estimated \$1.6 billion in travel-related sales revenues to California businesses attributable to existing state programs, doubling the marketing effort could result in **increases** of from \$800 million to \$1.6 billion. The mid-point, or \$1.2 billion, is used for purposes of this analysis.

The universe of businesses likely to benefit in some measurable fashion (i.e., more than 3% of their California gross receipts) from travel and tourism spending is estimated at 250,000. This represents the estimated total number of businesses in the four industry categories identified in the Act. Many industry segments within these categories were determined by the Tourism Selection Committee to be exempt segments for various

reasons, but are nonetheless expected to benefit from increased travel and tourism. California businesses in the four industry categories will receive, on average, \$4,800 (\$1.2 billion ÷ 250,000) in new travel and tourism-related sales as a result of the assessment.

Of the total 250,000 travel-related businesses in the state, only those meeting the conditions outlined in the Registration Form will be subject to assessment. Approximately 50,000 businesses are expected to indicate on their Registration Forms that they receive sufficient benefit from travel and tourism to be subject to assessment. That is, they indicate that 8% or more of their California gross receipts derive from travel and tourism to and/or within California, and that such receipts amount to more than \$111,112. In the absence of statistical data, this analysis will use, as a rule of thumb, the "20-80 Rule" which is, roughly, that 20% of the members of a group typically receive 80% of the benefit. Using this rule of thumb, the 50,000 businesses expected to be subject to assessment, which amounts to 20% of all travel-related businesses, may receive as much as 80% of the estimated \$1.2 billion in incremental spending, or \$960 million. This averages to \$19,200 in increased travel and tourism revenues per assessed business. The other 200,000 exempt businesses will receive an average estimated increase in tourism revenues of \$1,200 each.

The actual benefit among assessed businesses will vary sharply by size and type of business. In the December 26, 1996 memo from James Lichter, it was estimated that there will be a 50%-50% split between the number of small businesses subject to assessment, and the number of medium-sized and large businesses. However, for purposes of analyzing the impact of anticipated benefits, it is reasonable to assume that a relatively small number of very large businesses presently receive a relatively large proportion of total California visitor spending and will therefore receive a correspondingly large proportion of the benefits of an expanded tourism marketing program. The assessment formula also provides that they will be paying a high proportion of the total assessments.

Again applying the 20-80 Rule, 20% of the largest of the 50,000 assessed businesses are expected to benefit from 80% of the increased travel and tourism revenues (80% of \$960 million), or \$768 million. This yields an average estimated benefit of \$76,800 (\$768 million/10,000 businesses). The remaining 40,000 small to mid-sized businesses would derive 20% of the benefit, or \$192 million. This in turn translates to an average benefit of \$4,800 per small and medium-sized business (\$192 million/40,000 businesses).

This analysis has, so far, addressed direct spending only. For every dollar of direct ("first dollar") visitor spending, it is estimated that another \$1.00 to \$1.50 is generated in California payroll income and purchases of indirect goods and services. Examples of businesses expected to benefit from indirect impacts are: hotel and restaurant suppliers, credit card companies, advertising agencies, public relations firms, suppliers of promotional materials (designers, printers, and publishers, etc.), trade show and convention center suppliers; recreation equipment manufacturers and distributors, etc.

Other impacts which have not been addressed are the non-economic and/or non-quantifiable intended aims of the California Tourism Marketing Act which the Legislature identifies in Section 15364.51(a) through (k) of the Government Code. These include:

"...the preservation and use of California historic and scenic environments;...personal growth, health, and education, and intercultural appreciation of the geography, history, arts and ethnicity of the State of California; ...international understanding and goodwill..."

While the expanded public-private partnership to be created under the Act is likely to foster these aims and result in social, cultural and other benefits that have an ultimate positive impact on businesses, such benefits have not been considered relevant to this analysis.

**Conclusion**

The following table summarizes the estimated incremental revenues California businesses are expected to receive, should the following occur: 1) the California Tourism Marketing Act referendum passes, and 2) the California Travel and Tourism Commission implements the marketing plan proposed within Appendix A and based at a combined public-private funded budget of \$15 million. These benefits would be in the form of increased travel and tourism revenues from incremental visitation (over and above current levels) directly attributable to CalTour’s marketing activities.

Description	Estimated Total Benefit	Average Benefit per Business
200,000 California businesses receiving more than 3% of their California gross receipts from travel and tourism, but not assessed.	\$240 million	\$1,200
50,000 assessed businesses		
40,000 small and mid-sized	\$192 million	\$4,800
10,000 large businesses	\$768 million	\$76,800
<b>TOTAL (250,000 businesses)</b>	<b>\$1.2 billion</b>	<b>\$4,800</b>





## Appendix D - California Travel Impacts by County

Please refer to the California Division of Tourism publication, *California Travel Impacts by County*, March 1996

